

**THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:	)	Chapter 11
)	
QT, INC.,	)	Case No. 07 B 03227
)	
Debtor.	)	Honorable Eugene R. Wedoff
)	
In re:	)	Chapter 11
)	
Q-RAY COMPANY,	)	Case No. 07 B 03228
)	
Debtor.	)	Honorable Eugene R. Wedoff
)	
In re:	)	Chapter 11
)	
QUE T. PARK,	)	Case No. 07 B 03217
)	
Debtor.	)	Honorable Eugene R. Wedoff
)	
	)	Hearing Date and Time:
	)	July 17, 2007 at 9:30 a.m.

**NOTICE OF FINAL APPLICATION OF KATTEN
MUCHIN ROSENMAN LLP, AS COUNSEL TO EXAMINER,
FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES**

PLEASE TAKE NOTICE that on June 19, 2007, Katten Muchin Rosenman LLP (“Katten”) filed its Final Application of Katten Muchin Rosenman LLP, as Counsel to Examiner, for Allowance of Compensation and Reimbursement of Expenses (the “*Final Application*”). In the Final Application, Katten seeks final allowance and payment of compensation for legal services rendered in connection with the chapter 11 cases of above-captioned debtors (the “*Debtors*”) from April 27, 2007 through June 18, 2007 (“the *Application Period*”) in the amount of \$244,845.00. Katten also seeks final allowance and payment of reimbursement for actual, reasonable, and necessary out-of-pocket costs and expenses incurred during the Application Period in the amount of \$4,279.09.

PLEASE TAKE FURTHER NOTICE that copies of the Final Application are being served upon all entities entitled to notice pursuant to Federal Rule of Bankruptcy Procedure 2002.

PLEASE TAKE FURTHER NOTICE that on **July 17, 2007 at 9:30 a.m.**, or as soon thereafter as counsel may be heard, we shall appear before the Honorable Eugene R. Wedoff in the courtroom usually occupied by him, in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, 219 South Dearborn Street, Chicago, Illinois, or before such judge that is sitting in his stead, and shall then present the Final Application, at which time and place you may appear if you so see fit.

Dated: June 20, 2007

KATTEN MUCHIN ROSENMAN LLP

By: /s Ross O. Silverman
Ross O. Silverman (ARDC No. 622560)
KATTEN MUCHIN ROSENMAN LLP
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CHI02_60572585_1

CERTIFICATE OF SERVICE

I, Peter A. Siddiqui, an attorney, certify that I caused a copy of the attached **NOTICE and FINAL APPLICATION OF KATTEN MUCHIN ROSENMAN LLP, AS COUNSEL TO EXAMINER, FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES** via email or U.S. Mail, as indicated, on all below persons identified on the below service list on June 20, 2007.

/s/ Peter A. Siddiqui

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07 B 03227

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Chicago, IL 60630-2534

Illinois Department of Revenue
Bankruptcy Administration Unit
100 West Randolph Street Level 7-410
Chicago, IL 60601-3274
Attn: Toni Mays

Internal Revenue Service
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Welsh & Katz, Ltd
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CERTIFICATE OF SERVICE

I, Peter A. Siddiqui, an attorney, certify that I caused a copy of the attached **NOTICE and FINAL APPLICATION OF KATTEN MUCHIN ROSENMAN LLP, AS COUNSEL TO EXAMINER, FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES** via email or U.S. Mail, as indicated, on all below persons identified on the below service list on June 20, 2007.

/s/ Peter A. Siddiqui

**SERVICE LIST
QUE T. PARK
07 B 03217**

**Parties Served Via the Court's Electronic
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Lewis J. Todhunter
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Federal Trade Commission
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MB Financial
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Lincolnwood, IL 60712

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/s/ Peter A. Siddiqui

**SERVICE LIST
Q-RAY COMPANY
07 B 03228**

Parties Served Via the Court's Electronic

Notice for Registrants

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**FINAL APPLICATION OF KATTEN MUCHIN ROSENMAN LLP,
AS COUNSEL TO EXAMINER, FOR ALLOWANCE OF
COMPENSATION AND REIMBURSEMENT OF EXPENSES**

The law firm of Katten Muchin Rosenman LLP (“*Katten*”) submits this Final Application for Allowance of Compensation and Reimbursement of Expenses for payment of professional services rendered and costs incurred by Katten, as counsel to the examiner, Ross O. Silverman, appointed in the chapter 11 cases of each of the above-captioned debtors (the “*Debtors*”), for the period of April 27, 2007 through June 18, 2007 (the “*Application Period*”). In support of this Application, Katten respectfully states as follows:

I. PROCEDURAL BACKGROUND

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this

district pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicate for the relief requested herein is sections 330, 331, and 503 of title 11 of the United States Code (the “*Bankruptcy Code*”) and Rule 2016 of the Federal Rules of Bankruptcy Procedure.

II. FACTUAL BACKGROUND

A. Background of the Debtors’ Cases

3. On February 23, 2007, each of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

4. At the time of the filing of this Application, the Debtors continue to operate their businesses and manage their properties as debtors and debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. The Debtors marketed and sold certain products ostensibly designed to alleviate pain. The Federal Trade Commission (the “*FTC*”) brought an action in the United States District Court for the Northern District of Illinois against the Debtors, among others, for deceptive and misleading representations about the efficacy of the Debtors’ products. The FTC prevailed in its lawsuit, and the District Court ordered the Debtors to pay, jointly and severally, substantial monetary damages.

6. On March 28, 2007, the United States Trustee filed motions in each of the Debtors’ cases pursuant to section 1104 of the Bankruptcy Code for the appointment of a trustee or, in the alternative, an examiner (the “*Examiner Motion*”), in light of allegations of fraud, dishonesty, incompetence, misconduct, mismanagement, or irregularity in the current or former management. On April 3, 2007, the FTC joined in the Examiner Motion.

7. Following a hearing held on April 17, 2007, this Court ordered the

appointment of an examiner to investigate the allegations raised in the Examiner Motion (the “*Examiner Order*”).

8. On April 26, 2007, the United States Trustee for the Northern District of Illinois (the “*U.S. Trustee*”) filed its Application for an Order Approving the Appointment of Chapter 11 Examiner, stating that the U.S. Trustee had selected Ross O. Silverman to be the Examiner, subject to court approval.

9. At a hearing held on May 3, 2007, this Court ordered the appointment of Ross O. Silverman as Examiner.

10. On May 17, 2007, the Court entered an order granting the Examiner’s application to retain Katten as his counsel.

B. Examiner’s and Katten’s Contributions to These Cases

11. During the Application Period, which spanned 48 days, the Examiner and Katten analyzed tens of thousands of pages of documents, reconstructed numerous complex related-party and international transactions, conducted hours of interviews, and drafted a lengthy report summarizing the findings of the Debtors’ mismanagement, misconduct, and irregularity over a period of many years.

12. To accomplish this large project within the relevant time constraints, Katten mobilized a team of attorneys experienced in fraud investigations, complex financial transactions, and bankruptcy matters. In the beginning of the investigation, the Examiner and Katten conducted several lengthy interviews with and obtained thousands of documents from the Debtors, the FTC and other sources. The information and documents produced to the Examiner included business records of the Debtors, general ledgers, tax returns, bank statements, pleadings from several litigation matters, including class actions involving the Debtors and the FTC’s false

advertising case against the Debtors ("the *FTC Action*"). To timely complete the examination, the Examiner and Katten were required to swiftly review, process and analyze the business and litigation history of the Debtors, the complicated procedural histories of the class actions, the *FTC Action* and these three related bankruptcy proceedings, as well as a complex web of related-party relationships and international financial transactions. To do so competently and fairly, required the involvement of several experienced professionals at the outset of the examination.

13. As the investigation progressed, fewer attorneys were required. Indeed, for the last weeks of the investigation, only partner Ross Silverman and associate Dean Hoffman participated in the interviews and the drafting of the Examiner's report. That report is 63 pages, and provided the Court, as well as all interested parties, with the kind of comprehensive analysis that was necessary to support and explain the Examiner's conclusions. Given the interests at stake, the Examiner and Katten staffed this investigation as thinly as possible to be able to accomplish the assigned tasks in the allotted time.

14. The Examiner filed his report on June 8, 2007 and presented it to this Court at a hearing on June 14, 2007. At the conclusion of the Examiner's presentation of his report and the arguments of counsel, this Court entered an order appointing a chapter 11 trustee based on the facts uncovered by the Examiner in his investigation.

III. RELIEF REQUESTED

15. By this Application, Katten requests that this Court grant Katten final allowance of compensation for legal services rendered during the Application Period in the amount of \$244,845.00. Katten further requests that this Court grant Katten final allowance of reimbursement for actual, reasonable, and necessary out-of-pocket costs and expenses incurred during the Application Period in the amount of \$4,279.09, and authorize and direct that the

Debtors pay Katten \$249,124.09 for the those requested amounts.

IV. THE APPLICATION PERIOD

A. The Value of the Services Rendered and Professionals Rendering Them

16. Katten's hourly rates of compensation during the Application Period range from \$205.00 to \$575.00. Those rates are comparable to rates charged by other practitioners, having the same amount of experience and expertise, providing similar services in chapter 11 cases in this jurisdiction. Additionally, those rates constitute Katten's current ordinary and standard hourly rates charged for such services in a non-bankruptcy matter

17. A complete list is of the Katten professionals rendering service to the Debtors is as follows:

<u>Name</u>	<u>Position</u>	<u>Bar Admission</u>	<u>Rate</u>	<u>Hours</u>	<u>Amount</u>
Helwig, Ted S.	Partner	IL, 1980	\$575.00	23.80	\$13,685.00
Hoffman, Dean V.	Associate	IL, 2003	\$360.00	178.80	\$64,368.00
Jacobsen, Joni	Partner	IL, 1997	\$440.00	74.90	\$32,956.00
Myers, Gordon C.	Paralegal	N/A	\$205.00	81.60	\$16,728.00
Poronsky, Brian	Associate	IL, 2006	\$245.00	20.10	\$4,924.50
Shaffer, Jason P.	Associate	IL, 2000	\$395.00	86.70	\$34,246.50
Siddiqui, Peter A.	Associate	IL, 2002	\$360.00	22.00	\$7,920.00
Silverman, Ross O.	Partners	IL, 1985	\$550.00	125.70	\$69,135.00
Smulkowski, Ziemowit T.	Partner	IL, 1996	\$490.00	1.80	\$882.00
TOTAL:				615.40	\$244,845.00

18. A complete listing of all time entries by each of Katten's attorneys and paralegals is attached to this application as Exhibit 1.

19. Given the nature and quality of the services rendered, the interests at stake, the amounts involved, the responsibility assumed by Katten, and the experience, ability, and standing of the attorneys involved, the amount of compensation and reimbursement requested for

legal services rendered during the Application Period is a reasonable amount that should be allowed in full.

B. Expenses Incurred during the Application Period

20. Katten seeks final allowance and payment of \$4,279.09 for expenses incurred on behalf of the Debtors during the Application Period. A detailed itemization of all of the expenses incurred is attached hereto as Exhibit 2. Expenses were incurred in the following categories:

- (a) Telephone: During the Application Period, Katten incurred costs in this category in the amount of \$18.80. Such costs related to long distance telephone charges incurred by Katten.
- (b) Postage: During the Application Period, Katten incurred costs in this category in the amount of \$194.32. Such costs related to postage charges incurred by Katten.
- (c) Photocopy Costs: During the Application Period, Katten incurred costs in this category in the amount of \$3,600.05. Such costs related to photocopy charges incurred by Katten, both internally and through external copy and imaging services. With respect to Katten's internal copying charges, Katten is charging \$0.10 per page.
- (d) Legal Research: During the Application Period, Katten incurred costs in this category in the amount of \$460.82. Such costs related to fees incurred by Katten from Westlaw and the Pacer Service Center in connection with Katten's work on the Debtors' cases.
- (e) Fax: During the Application Period, Katten incurred costs in this category, however, in light of this Court's guidelines, Katten is not seeking reimbursement of fax charges.

(f) Certified Copies: During the Application Period, Katten incurred costs in this category in the amount of \$3.00. Such costs related to a charge incurred by Katten to obtain a certified copy of an order from the District Court.

27. All expenses incurred by Katten in connection with its representation of the Debtors were ordinary and necessary expenses. All expenses billed to the Debtors were billed in the same manner as Katten bills non-bankruptcy clients.

28. The rates of compensation for attorneys and paralegals, and the expenses incurred by Katten, are customary and ordinary rates, fees, and expenses charged by Katten in matters of this type unless otherwise indicated above. All services and expenses for which Katten requests compensation and reimbursement were performed and incurred for and on behalf of the Examiner. All services and expenses for which Katten requests compensation and reimbursement benefited the Debtors' estates.

29. No agreement or understanding exists between Katten and any other person for sharing of compensation which has been or will be received, except such sharing as is customary and generally accepted among attorneys within a law firm. No agreement or understanding, express or implied, has been or will be entered into for purposes of fixing the fees or other compensation to be paid to any other attorney for any party-in-interest, to any other party-in-interest, or to any person for services rendered in connection herewith in the assets of the estate contrary to the provisions of the Bankruptcy Code. At all times, Katten has consistently and conscientiously attempted to handle all matters in the most efficient and economic manner possible.

WHEREFORE, Katten respectfully requests that the Court enter an order:

- A. Granting Katten final allowance of compensation for legal services rendered during the Application Period in the amount of \$244,845.00;
- B. Granting Katten final allowance of reimbursement for actual, reasonable, and necessary out-of-pocket costs and expenses incurred during the Application Period in the amount of \$4,279.09;
- C. Directing that the Debtors pay Katten \$249,124.09 for the above-requested amounts; and
- D. Granting such other and further relief as this Court deems just and appropriate under the circumstances.

Dated: June 20, 2007

KATTEN MUCHIN ROSENMAN LLP

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